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Caribbean Basin

Market Development Reports

Tourism Booms in Most East Caribbean Countries 2004

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Report Highlights:

This report was condensed from a report by the U.S. Embassy in Barbados.

The tourism industry in the Eastern Caribbean is steadily recovering after two difficult years, with stay-over arrivals increasing by approximately 7% throughout the region for the winter 2003-2004 season. Barbados in particular experienced a boost in cruise tourism, with a record 2003 season and a 40% increase this year. Cash-strapped Dominica also enjoyed record growth, as the number of cruise visitors making a stop on the island doubled.

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A. SUMMARY.

The tourism industry in the Eastern Caribbean is steadily recovering after two difficult years, with stay-over arrivals increasing by approximately 7% throughout the region for the winter 2003-2004 seasons. Barbados in particular experienced a boost in cruise tourism, with a record 2003 season and a 40% increase this year. Cash-strapped Dominica also enjoyed record growth, as the number of cruise visitors making a stop on the island doubled. In search of better returns from their top industry, governments and stakeholders in the sub-region explored and subsequently dismissed the idea of a per-passenger cruise ship fee and continue to support the restructuring of local air carrier LIAT. Despite a continuing need for improved regional planning and coordination, the tourism sector is expected to remain strong through 2004 and into the next winter season.

Tourism is the key economic sector in many of the Caribbean islands. A study by the Organization of American States attributed nearly 3 million jobs in the Caribbean Basin to the sector, and estimated that tourism accounts for as much as 25% of export earnings. More than two years after the 9/11 terrorist attacks, the tourism industry in the Eastern Caribbean showed signs of recovery during 2003 and the first part of 2004. The Caribbean Tourism Organization (CTO) reported strong overall performance in the sector for the winter season, which ended this April. The CTO's Director of Research reported that overall arrivals have increased by 7% and cruise ship arrivals by 8% so far in 2004 on average, more than the CTO's initial estimates of 3 to 5% growth. This is good news for the seven countries within the U.S. Embassy Bridgetown, Barbados' jurisdiction (Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines), who are dependent on tourism for continued economic growth and development. Tourism was aided by a weak U.S. dollar, which discouraged many Americans from transatlantic travel and made the region's prices more attractive for Europeans.

B. REGIONAL DEVELOPMENTS

1. Cruise Sector's Proposed Head Tax Dies A Slow Death.

Local governments have long maintained that the cruise ship sector should make a more meaningful contribution to the development of the tourism industry and the economies of the region. In this vein, the region has debated the establishment of a cruise-ship levy or "Head Tax" of US\$20 per person per island since early 2003. The levy was recommended after a Ministerial meeting of members of the CTO last year, and would be paid into a Sustainable Tourism Development Fund (STDF) to provide resources for marketing, human resources development, cultural, and other product development programs for the region. The cruise industry (through the Florida Caribbean Cruise Association) promptly protested the levy, saying it would increase costs and force them to seek other markets. The issue soon fizzled out as governments, starting with Antigua and Dominica in the sub-region, responded by withdrawing their support for the Head Tax. Antigua's Junior Tourism Minister told the media "we can't

overtax our guests," when asked about the Head Tax in April. St. Lucia and St. Kitts were active supporters of the levy in the sub-region.

The Head Tax issue resurfaced at the end of February, when Secretary General of the CTO, Jean Holder, and Chairman of the CTO Sustainable Tourism Fund Committee, St. Kitts and Nevis Minister of Tourism Dwyer Astaphan both denied reports that the Caribbean had given up on the Head Tax. Holder told the press that the proposed tax "still remains a priority issue" for the CTO but was being pursued at a higher level. Despite the CTO's push for the levy, reports from CARICOM officials in May indicated the region had decided to drop calls for the tax.

Meanwhile, the Organization of Eastern Caribbean States (OECS) held a Council of Tourism Ministers meeting on May 8 where the Head Tax was discussed and the Director General of the OECS, Dr. Len Ishmael, issued fresh calls for the Eastern Caribbean to agree on the tax. She reportedly urged Ministers that the proposal would have more appeal if it was dealt with at a sub-regional level. She added that cruise lines sell shore excursions for an average of US\$65 to \$75 per person, but the amount paid for entrance fees throughout the OECS states is only between US\$2 and \$5.

By late May, all reports indicated the Head Tax issue was off the table. The CTO, the Caribbean Hotel Association and the Florida Caribbean Cruise Association announced the formation of a tourism committee designed to explore "other means of funding projects needed to enhance tourism" in late May.

2. Efforts to Save Indigenous Airlines

Talks continue throughout the sub-region on how to save struggling local LIAT Airlines and Trinidad-based BWIA. Recently elected Prime Minister of Antigua and Barbuda, Baldwin Spencer announced in April that the government would attempt to make LIAT (headquartered in Antigua) into a viable entity, "I will be consulting with other CARICOM leaders to emphasize the importance of all of us working together" (to) allow LIAT to continue to serve the region... because it is our airline."

LIAT is owned by a number of local governments and is slowly restructuring. The airline has cut its staff from 1000 plus to 650 over the past three years. LIAT and BWIA were supposed to have merged in January under a holding company in Trinidad, but the merger is indefinitely delayed.

3. Private Sector Partnerships Encouraged

Barbados' Tourism Minister Lynch has encouraged more private and public sector cooperation on tourism. He expressed his support of the Caribbean Tourism Human Resource Council (CTHRC) and the CTO for developing common guidelines on quality standards for use by tertiary institutions with hospitality and tourism curriculums and for working with public and private sector organizations. Government officials caution that while it is healthy for governments to gradually withdraw from interventions in the tourism sector, the private sector must pick up the slack and

shoulder the bulk of the responsibility for sustainable tourism growth. Last year, the President of the Caribbean Hotel Association, Berthia Parle, asked the "big players" (banks, utility companies, and others that make a substantial profit from tourism) to join in the effort in order to ensure sustainable growth through effective partnerships on a regional basis. Discussions are underway to develop mechanisms, such as the SDTF, to facilitate and fund joint undertakings.

C. ANTIGUA & BARBUDA

Tourist arrivals to Antigua and Barbuda increased by nearly 13% last year and remain healthy. In addition to supporting LIAT, the newly elected United Progressive Party (UPP) government has promised to focus on tourism. Party officials have pledged to establish a National Tourism Task force comprising all stakeholders, with a mandate to formulate a comprehensive "Tourism Transformation Plan" later this year or early next year. Anticipated projects include the establishment of a hospitality and tourism management program at a higher educational facility in Antigua and government-funded construction of vendor's kiosks at popular beaches and ports.

The government has also pledged to introduce a Hotel Concessions Act to encourage upgrades and expansions to existing properties. Additionally, the UPP intends to make Antigua the "yachting capital of the Caribbean," and will implement a series of measures, such as the refurbishment of yachting facilities, duty free status on fuel purchases and goods for the yachting industry, and removal of consumption tax and duties on fittings for marine craft. The new government is also considering comprehensive environmental and cruise tourism policies.

D. BARBADOS

1. Well-managed Sector Experiences Record Growth

Tourist arrivals to Barbados reached unprecedented heights during the winter season. According to Minister Lynch, 2003 was the overall best year for stay-over and cruise ship arrivals. More than one million tourists visited the island (with a population of just over 275,000) last year.

Performance is expected to remain strong this year, as arrivals are already up more than 10% for January-March 2004 when compared to the same period last year. The high-end Sandy Lane Hotel (with room rates from US\$800 to \$15,000 per night) was reportedly fully booked for the peak winter season and 85% full off-peak. Overall, occupancy rates were high for the season, with Sue Springer of the Barbados Hotel and Tourism Association reporting 75% hotel occupancy on average.

The boom can be attributed to the weak U.S. dollar, which made Barbados more attractive to its traditional British consumer base. A cricket test match series between the West Indies and Britain in Barbados also helped boost arrivals from the UK and CARICOM this spring. Additionally, Oliver Jordan from the Barbados Tourism Authority forecasts a 13% growth rate this year. The government is working with the

private sector to maintain and enhance tourist attractions. Among new tourist sites expected to fully open in the next two years are the Graeme Hall Bird Sanctuary, the US \$800 million Hilton Hotel and adjacent renovated historical fort, the George Washington House, and a dolphin sanctuary and swim park.

2. New Airport, Air and Sea Carriers

Renovations on Grantley Adams International Airport are nearing completion. According to Senator Rudy Grant, the airport as presently constructed can handle approximately 900 passengers per hour. When renovations are complete, the airport will be able to facilitate the arrival and departure of up to 2,000 passengers per hour. The new departures lounge opened late last year and the new arrivals hall and check-in areas will likely open later this year.

Additionally, airline capacity has grown by 25% due to expanding services by international carriers British Airways, Virgin Atlantic, and Air Canada, American Airlines and the addition of Continental Airlines flights. Overall, Barbados benefited from an additional 61,000 airline seats last winter. Non land-based tourism also did well last season, with cruise ship arrivals skyrocketing. Barbados was the first Caribbean port of call for the US\$800 million Queen Mary 2, contributing to the island's profile as a high-end tourism destination. The government's target is for 700,000 cruise passengers in 2004, with hopes of reaching the 1 million cruise tourist passenger mark by 2008. According to Morris, cruise arrivals for 2004 are already 40% higher than the same period last year.

3. Wet Fret: "Dreadful" Customer Service

Two recent cases have highlighted the need to improve customer service in Barbados. Last year, a British woman was awarded approximately US\$40,000 by the High Court for a "ruined" holiday, after claiming that a cold, dark, depressing villa and incompetent staff ruined her family's vacation. She claimed the multi-million dollar villa's furniture was "more suited to a beach hut," and that the butler was a "buffoon." The award was equivalent to a 25% refund, plus several thousand dollars.

British tourists have long made up the largest percentage of visitors to Barbados and UK arrivals accounted for 40% of tourists last year. The "wet fret" case was given much coverage by the British media and momentarily put pressure on tourist providers in Barbados to improve services. Further, during the Australian Cricket Team's 2003 tour in Barbados, the team and accompanying fans complained about the quality of service during their visit. The Australian media subsequently called into question the ability of Barbados and the West Indies as a whole, to host the 2007 Cricket World Cup, citing poor facilities for spectators, shoddy service, and substandard airports.

E. DOMINICA

Eco-tourism and Cruise-ships: A Winning Combination?

Historically, tourism has played only a small part in the Dominican economy. The island lacks the white sand beaches and turquoise waters present in the rest of the Eastern Caribbean. Nonetheless, stakeholders have dubbed Dominica the "Nature Island of the Caribbean" and development of an eco-tourism industry is underway. The cash-strapped government is simultaneously maintaining infrastructure necessary for cruise tourists, and recently signed a three year deal with Carnival Cruise Lines for two ships to call once a week, with an estimated 3,300 passengers each. The government released figures in early May indicating that between October and March, cruise passengers totaled 237,346, compared to 121,781 last year, and that each tourist spent an average of US\$50 while on the island. Sharon Pascal from the Ministry of Tourism said that the current year was a "record breaking one for the island, as we expect totals to hit 300,000."

F. KITTS AND NEVIS

1. New Marriott Has Spin-off

The new Marriott resort, which opened last year, has already had a positive effect on the economy of St. Kitts. The hotel is providing numerous spin-off benefits for the country. Local entrepreneur Richard Caines recently opened a Hertz car rental facility that runs out of the Marriott, which has "been an enormous success." Restaurant owners are also reportedly cashing in from the Marriott, since the hotel's concierge often recommends local eating establishments to guests. One local remarked that since the Marriott opened, he cannot get a dinner table at his favorite restaurant without "calling weeks in advance." The Permanent Secretary in the Ministry of Tourism, Hillary Wattley, said the Marriott employs over 1,000 people, a majority of them Kittitian. The resort has also provided extensive training opportunities for employees.

2. Cruise Sector Improving; Regional Support for Head Tax Needed

Wattley also said that the country's cruise tourism sub-sector is performing well so far this year, after a drop-off in arrivals last year. The construction of the third cruise pier is now complete, and the government has spent EC\$1 million on constructing facilities for cottage industries to sell their goods by the port, and continues to help finance maintenance costs of the Brimstone Hill fort, a UNESCO certified World Heritage Site. Another unique draw for tourists is the St. Kitts Scenic Railway tour, which opened last year and is the only railway tour in the Eastern Caribbean. It has emerged as the most successful tourist attraction for cruise-ship day-trippers, according to Wattley.

G. ST. LUCIA

St. Lucia enjoys the second-largest number of tourist arrivals in the sub-region, behind Barbados. According to the Ministry of Tourism, tourist sector performance is improving, with 2003 arrivals up by 10% when compared to 2002. Cruise passenger arrivals also increased slightly. The cruise sector has indeed improved handsomely, by 25% this year when compared to the same period last year. Other recent developments

in the tourism sector include additional airlift from major markets in the UK and U.S. and the establishment of a kite- and wind-surfing facility on the South Coast. The impact of the new surfing center may be small on the island's overall economy, but the facility is a breath of fresh air for the southern part of the island, which was hard hit by the closure of a Club Med resort in 2002.

H. ST. VINCENT AND THE GRENADINES

1. Trumps To The Rescue?

Of all the islands in the sub-region, St. Vincent and the Grenadines did not experience significant growth last year. St. Vincent and the tiny Grenadine chain's airports are too small to support larger aircraft, thus putting a stranglehold on growth prospects for stay-over arrivals. Although some tourists are willing to transit through Barbados or Puerto Rico, the market is automatically constrained by the lack of larger airlift. Traditionally a niche destination for the rich and famous and for luxury yachts, the Grenadines may soon benefit from larger scale tourism projects. Of these, a resort development funded by Donald Trump and the 400 bed Raffles resort, both on Canuoan Island, are noteworthy.

I. SELECTED STATISTICS

Source: Caribbean Tourism Organization

1. STAY-OVER TOURIST ARRIVALS

Country; Period; Arrivals; % change from 2002/2003 seasons

2003

Country	Period	Arrivals	% Change from 2002/2003 seasons
Antigua and Barbuda	Jan-Oct 2003	182,423	12.8
Barbados	Jan-Dec	531,464	6.7
Dominica	Jan-Dec	72,948	9
Grenada	Jan-Dec	142,333	7.5
St. Kitts and Nevis	Jan-Dec	73,598	(estimated) 6.8
St. Lucia	Jan-Dec	276,948	9.3
St. Vincent and the Grenadines	Jan-Dec	78,535	1.2

2004

Country	Period	Arrivals	% change from 2003/2004 seasons
Barbados	Jan-Feb	94,589	12.1
Grenada	Jan-Feb	25,460	6.2
St. Lucia	Jan-Feb	72,275	3

2. CRUISE SHIP ARRIVALS

Country; Period; Arrivals; % change from 2002/2003 seasons

2003

Country	Period	Arrivals	% Change from 2002/2003 seasons
Antigua and Barbuda	Jan-Dec	385,686	23.5
Barbados	Jan-Dec	625,946	14
Dominica	Jan-Dec	177,044	29.4
Grenada	Jan-Dec	146,925	8.8
St. Kitts and Nevis	Jan-Dec	156,284	11.1
St. Lucia	Jan-Dec	393,262	1.6
St. Vincent and the Grenadines	Jan-Dec	64,965	N/A

2004

Country	Period	Arrivals	% Change from 2003/2004 seasons
Barbados	Jan-Feb	185,094	23.5
Grenada	Jan-Feb	82,782	78
St. Lucia	Jan-Mar	193,009	25

J. For more information on food and agriculture in the Caribbean please visit our website: www.cbato.fas.usda.gov

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